

BEFORE  
THE  
PUBLIC SERVICE COMMISSION  
OF  
SOUTH CAROLINA

DOCKET NO. 2012-\_\_\_\_-E – ORDER NO. 2012- \_\_\_\_

APPLICATION BY SOUTH CAROLINA	)	<b>ORDER AUTHORIZING</b>
ELECTRIC & GAS COMPANY FOR	)	<b>ENTERING INTO LOAN</b>
AUTHORITY TO BORROW PROCEEDS	)	<b>AGREEMENT FOR</b>
OF INDUSTRIAL REVENUE BONDS AND	)	<b>INDUSTRIAL REVENUE</b>
FOR ISSUANCE AND DEPOSIT OF FIRST	)	<b>BONDS AND FOR</b>
MORTGAGE BONDS	)	<b>ISSUANCE AND DEPOSIT</b>
	)	<b>OF FIRST MORTGAGE</b>
		<b>BONDS</b>

This matter comes before the Public Service Commission of South Carolina (the “Commission”) by way of an Application filed on November \_\_, 2012, by South Carolina Electric & Gas Company ("SCE&G"), for authorization to enter into a Loan Agreement and to issue and deposit First Mortgage Bonds. The Application was filed pursuant to § 58-27-1710, S.C. Code of Laws (1976, as amended), 26 S.C. Code of Reg. 103-823 and 823.1 (1976, as amended).

SCE&G proposes to enter into a Loan Agreement, in substantially the form attached as Exhibit A to the Application (the "Loan Agreement"), with respect to the issuance by the South Carolina Jobs-Economic Development Authority (the "Authority") not exceeding Sixty Million Dollars (\$60,000,000) principal amount of industrial revenue bonds (the "Bonds") to defray the cost of refunding the Authority’s \$56,910,000 principal amount Industrial Revenue Bonds

(South Carolina Electric & Gas Company Project), Series 2002A (the "Series 2002A Bonds"), and to enter into the transactions described in their Application, including but not limited to, SCE&G's issuance and deposit with a corporate trustee (the "Trustee") of its First Mortgage Bonds (the "Pledged First Mortgage Bonds") issued pursuant to Applicant's Indenture dated as of April 1, 1993, as supplemented (the "1993 Indenture"), between SCE&G and The Bank of New York Mellon Trust Company, N.A., successor to NationsBank of Georgia, National Association, as trustee, as security for the Bonds.

According to the Application, SCE&G proposes to enter into the Loan Agreement with the Authority, pursuant to which the Authority will agree to issue and sell the Bonds pursuant to a Bond Trust Indenture, in substantially the form attached as Exhibit B to the Application (the "Indenture"), between the Authority and the Trustee), the terms for the Bonds generally described as follows:

Principal Amount:	\$60,000,000 (maximum)
Issue Date:	On or before June 30, 2013
Interest Rate:	Market
Maturity Date:	Less than 21 years (expected February 1, 2033)
Call and Redemption Features:	Market
Sinking Fund:	Market, but none required
Estimated Initial Offering Price:	Between 97% and 115% of par
Underwriting Discount:	1% (maximum) (expected range .45% to .75%)

Redemption Price:     Market-estimated not to be in excess of 103% of principal amount

Credit Ratings:         S&P – A .

As stated in the Application, the Bonds will be sold on the general credit of SCE&G and secured by a pledge to the Trustee of an equal principal amount of Pledged First Mortgage Bonds. The Pledged First Mortgage Bonds will be secured primarily by the lien of the 1993 Indenture upon substantially all of the electrical generation, transmission and distribution properties of SCE&G as described in the granting clauses of the 1993 Indenture. Pledged First Mortgage Bonds may be issued on the basis of unfunded property additions equal to ten-sevenths of the aggregate principal amount of such additional Pledged First Mortgage Bonds, retirement credits, or cash equal to the aggregate principal amount of such Pledged First Mortgage Bonds.

As stated in the Application, SCE&G expects that the Pledged First Mortgage Bonds will have a maturity date that will coincide with the maturity of the Bonds and will bear interest at the same rate as the Bonds.

The net proceeds from the sale of the Bonds will be loaned by the Authority to SCE&G pursuant to the Loan Agreement for the purpose of refunding the Authority's Series 2002A Bonds. The proceeds of the Series 2002A were used to refund the \$56,820,000 principal amount Fairfield County Pollution Control Revenue Bonds, Series 1984 and \$1,090,000 principal amount Fairfield County Pollution Control Revenue Bonds, Series 1986 (the "Prior County Bonds") and to pay certain costs of issuance. The proceeds of the Prior County Bonds were applied to defray the cost of certain air and water pollution control

facilities and sewage and solid waste facilities located at the Applicant's V.C. Summer Nuclear Generation Station in Fairfield County, South Carolina and to pay costs of issuance. This financing provides an opportunity for SCE&G to finance its existing debt at a lower interest rate, which would have a favorable impact on its customers.

SCE&G has stated in the Application that it expects the Bonds to be sold in an underwritten public offering as described in an Official Statement, in substantially the form of the draft Preliminary Official Statement attached as Exhibit C to the Application.

The Application states that, in general, the issuance of Pledged First Mortgage Bonds under the 1993 Indenture is subject to adjusted net earnings of SCE&G for 12 consecutive months within the preceding 18 months being at least twice the annual interest requirements on mortgage securities at the time outstanding and the Pledged First Mortgage Bonds then to be issued.

The Application states that SCE&G may offer and sell the Bonds when market conditions, in its judgment, are favorable, in either of three ways:

- A. Underwriters or Dealers. If underwriters are utilized with respect to the Bonds, SCE&G proposes to sell the Bonds pursuant to an appropriate bond purchase agreement to any underwriter or to a group of underwriters to be selected at the time of sale.
- B. Private Placement. Private placement to a limited number of purchasers or to a single purchaser, which will require an appropriate sales agreement with respect to the Bonds.
- C. Through Agents. If SCE&G offers the Bonds in a private placement or through agents to a limited number of purchasers or to a single purchaser, an appropriate sales agreement will be utilized with respect to the Bonds.

SCE&G further states that negotiations at market with the purchaser or purchasers, to be concluded shortly before the offering of the Bonds, will determine the interest rate to be borne by, the maturity date of, the initial offering price of, the price to be paid to SCE&G for, the call provisions of, any underwriting or purchase discount (i.e., the difference between the initial offering price and the price paid by the purchaser underwriter to SCE&G) with respect to, and the redemption prices of the Bonds. Based on market conditions, SCE&G anticipates that the initial offering price will not be less than 97% and no more than 115% of the principal amount of the Bonds, that any underwriting discount will not exceed 1% of the principal amount of the Bonds, that the fixed interest rate on the Bonds will not exceed 4% per annum, and that the initial regular redemption price, if any, will not exceed 103% of the principal amount of the Bonds. SCE&G requests that it be authorized to negotiate, in its judgment, the most favorable initial interest and terms obtainable on the date the Bonds are sold including, if appropriate, terms, prices and redemption provisions.

After investigation by the South Carolina Office of Regulatory Staff and upon full consideration by the Commission, the Commission is of the opinion, and so finds, that the matters set forth in the Application and the exhibit thereto are proper; that the purpose of the proposed use of the proceeds by SCE&G of the Bonds is proper; that the proposal to issue the Bonds is reasonable and proper; and that the proposed alternate methods of offering the Bonds are proper.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

- (1) SCE&G is granted a Certificate of Authority stating that the issuance of up to Sixty Million Dollars (\$60,000,000) of Bonds, and the borrowing of the proceeds thereof by SCE&G, is reasonably necessary to refund the Series 2002A Bonds.
- (2) The terms and conditions of the Loan Agreement are authorized and approved and SCE&G is authorized and empowered to execute and deliver the Loan Agreement in connection therewith.
- (3) SCE&G is authorized and empowered to issue and deposit with the Trustee as security for SCE&G's obligations under the Loan Agreement an aggregate principal amount of Pledged First Mortgage Bonds not exceeding Sixty Million Dollars (\$60,000,000).
- (4) SCE&G is authorized and empowered to execute and deliver a bond purchase or sales agreement with respect to the issuance of the Bonds.
- (5) SCE&G is authorized and empowered to negotiate the terms of the transaction as described herein and to make such changes in the instruments filed as exhibits to the Application and to negotiate and to enter into other related or supplemental agreements as are reasonably necessary, including, but not limited to, changes in the dates of the documents described herein, to consummate the transactions described herein or hereafter to maintain or preserve such transactions.
- (6) SCE&G shall file with the Commission conformed copies of the instruments (and any amendments, modifications and extensions thereto) in the final form in which they are executed.

- (7) The maximum amount of borrowings and character of the securities issued thereby, as proposed, are reasonably necessary for the purpose for which they are to be issued as described above.
- (8) This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modification or changes with respect to any provisions of this Order in accordance with the law.
- (9) This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

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David A. Wright, Chairman

ATTEST:

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Randy Mitchell Vice-Chairman

(SEAL)